

Message Text

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SUBJ: SRI LANKA FINANCE MINISTER ON MONETARY REFORM MEETINGS
IN WASHINGTON

REF COLOMBO 683

1. AT BACKGROUND NEWS CONFERENCE 19 MARCH PRIOR TO DEPARTURE FOR US., FINMIN N. M. PERERA DISCUSSED COUNTRY' S CURRENT " FOREIGN EXCHANGE CRISIS" AND HIS OBJECTIVES AT FORTHCOMING MEETINGS IN WASHINGTON LDC' S " GROUP OF 24" AND IMF' S " GROUP OF 20" MARCH 23-27.

2. PERERA SAID THAT SINCE NOV 72 BUDGET PRESENTED SRI LANKA HAS FACED ADDITIONAL FOREIGN EXCHANGE IMPORT BILL OF RS. 400 MILLION (\$63 MILLION AT OFFICIAL EXCHANGE RATE) DUE TO RECENT CURRENCY FLUCTUATIONS AND ESCALATING COMMODITY PRICES. THIS " STAGGERING BLOW" IMPOSED ON SRI LANKA " BY VIRTUE OF OUR SMALLNESS AND DEPENDENCE ON IMPORTS", AND IS SITUATION OVER WHICH GSL HAS NO CONTROL. PERERA ALSO POINTED TO SPECULATION BY TEA BUYERS IN ATTEMPTING TO PROFIT BY FLUCTUATION IN EXCHANGE RATE BETWEEN DOLLAR AND POUND STER-
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LING TO WHICH SRI LANKA RUPEE IS LINKED, AS EXAMPLE OF HOW CAREFUL GSL MUST BE IN SETTING ITS OWN EXCHANGE POLICY.

3. AGAINST THIS BACKGROUND, PERERA, WHO ALSO VICE PRESIDENT OF " GROUP OF 24" , PLANS IN WASHINGTON TO STRESS " LIQUIDITY REQUIREMENTS OF POORER COUNTRIES" AND WILL SEEK " MORE EQUITABLE ALLOCATION OF SDR' S. GSL WILL ADVOCATE LINK BETWEEN DEVELOPMENT REQUIREMENTS AND SDR QUOTAS SO AS TO ENSURE LARGER ALLOCATION TO DEVELOPING COUNTRIES. ACCORDING TO PERERA, SUCH A PROGRAM WOULD AID AT REVERSING CURRENT SYSTEM OF GRANTING LARGER ALLOCATIONS TO RICH COUNTRIES. STRONGEST OPPOSITION TO THIS APPROACH EXPECTED FROM HOLDERS OF LARGE GOLD RESERVES.

4. GSL HAS ASKED FOR SDR ALLOCATION EQUAL TO 1971 DRAWDOWN OF \$11 MILLION, BUT THIS HARDLY ADEQUATE FOR DEVELOPMENT NEEDS WHICH MINISTER SETS AT \$100 MILLION PER YEAR. RECENT \$65 MILLION AID CEYLON GROUP ASSISTANCE LIMITED BY BEING TIED TO DONOR COUNTRIES. PERERA ADDED, HOWEVER, THAT PL 480 COMMODITY ASSISTANCE WELCOMED BY GSL BECAUSE REPAYMENT SPREAD OVER MANY YEARS.

5. PERERA SLO ANNOUNCED BRIEF STOPOVER IN LONDON PRIOR TO ARRIVAL IN US. IN LONDON, MINISTER WILL DISCUSS BRITISH AID PROBLEMS WITH FCO.
VAN HOLLEN

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